

IX. Department of Workforce Development -- Jean Rogers, Division Administrator,
Division of Economic Support

The department submitted a November 27 letter of notification to the committee of the state's intent to administer federal block grant funds provided under the recently passed Personal Responsibility and Work Opportunity Reconciliation Act of 1996 for federal fiscal years 1996 and 1997. Subsequent to this notice the co-chairs placed this matter on the agenda of this s. 13.10 meeting.

STATE OF WISCONSIN**SENATE CHAIR
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JOINT COMMITTEE ON FINANCE

November 27, 1996

TO: Members
Joint Committee on Finance

FROM: Senator Brian Burke, Senate Chair
Representative Ben Brancel, Assembly Chair
Joint Committee on Finance

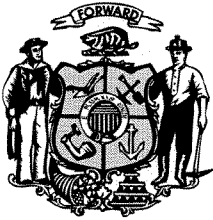
SUBJECT: Request for Expenditure of Federal Welfare Block Grant Funds

Under 1995 Wisconsin Act 132, the Governor may not administer, and state agencies may not encumber or expend, federal block grant funds authorized under any federal law enacted after August 31, 1995, without notifying the Joint Committee on Finance of the grant and the proposed expenditures. If the cochairs of the Committee do not notify the Governor within 14 working days after receiving the request that a meeting has been scheduled to review the proposal, the moneys may be expended as proposed by the Governor. If a meeting is scheduled, no moneys may be expended without approval by the Committee.

On November 27, 1996, the Committee received a request from the Governor for expenditure of federal block grant funds under the temporary assistance to needy families (TANF) program, which was enacted on August 22, 1996, as P.L. 104-193. The request addresses the expenditure of both the federal TANF block grant and the child care development block grant in 1996-97. These funds will be used for the state's current AFDC and child care programs as well as for costs associated with the transition to the Wisconsin Works (W-2) program.

In order to provide the Committee with an opportunity to review this proposal, we have included the Governor's request on the agenda for the December 16, 1996, section 13.10 meeting.

BB/BB/jc



TOMMY G. THOMPSON

**Governor
State of Wisconsin**

The Honorable Brian Burke, Co-Chair
Joint Committee on Finance
100 North Hamilton Street, Room 302
Madison, Wisconsin 53707

The Honorable Ben Brancel, Co-Chair
Joint Committee on Finance
119 Martin Luther King, Jr. Blvd.
Madison, Wisconsin 53707

SUBJECT: Notification of Federal Block Grant

Dear Senator Burke and Representative Brancel:

Attached is a request for expenditure of block grant funds being made available to the state by the federal government. Pursuant to s. 16.54(2)(a)2., the grant funds will be made available for encumbering through the allotment process within 14 working days after the date of this notification letter, unless you notify me that a meeting has been scheduled for the Joint Committee on Finance to review the proposed expenditure of grant monies.

Please also contact State Budget Director Richard G. Chandler (266-1035) in the Department of Administration if you have any additional questions or if you schedule a meeting to review the proposed expenditure.

Thank you for your prompt attention to this notification letter.

Sincerely,

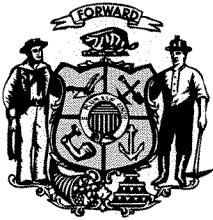
A handwritten signature in black ink, appearing to read "Tommy G. Thompson", written over a horizontal line.

TOMMY G. THOMPSON
Governor

Date:

11-27-96

Attachments



TOMMY G. THOMPSON

**Governor
State of Wisconsin**

November 27, 1996

The Honorable Brian Burke
Co-Chair, Joint Committee
on Finance
Suite 302, 100 N. Hamilton
Madison, Wisconsin 53702

The Honorable Ben Brancel
Co-Chair, Joint Committee
on Finance
31 LL, 119 Martin Luther King Blvd.
Madison, Wisconsin 53702

Dear Co-Chairs Burke and Brancel:

I am submitting this letter of notification to you pursuant to s. 13.101(10) and 16.54(2)(a)(2) of the statutes, which require notice to the Joint Committee on Finance of the State's intent to administer block grant funds received from the federal government. It is critical that the Committee act on this plan in December, as no federal funds may be expended until it does so. Currently, expenditures are being paid with 100% GPR, resulting in lower interest earnings to the general fund.

The State of Wisconsin was the first state to apply for block grant funds under the recently passed Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 for funding in federal fiscal years 1996 and 1997. Wisconsin's proposal has been "deemed complete" by the federal government effective August 22, 1996.

This letter of notification concerns utilization of two separate block grants that were created in the federal welfare reform legislation, the Temporary Aid to Needy Families (TANF) block (\$318,188,000) and Child Care Development (CCD) block (\$54,110,000). Both block grants include formulas under which states are eligible to receive federal funding for specific programmatic purposes. Once established, the amount of eligible funding per state for TANF remains fixed over each of the next five federal fiscal years, which run from the period of October - September. The authorization under the CCD block increases each year. This notification covers the period from 8/22/96 to 6/30/97, the end of the current state fiscal year. Expenditure plans for TANF and CCD block grant funds beyond that date will be contained in my 1997-99 biennial budget proposal.

The Honorable Brian Burke
The Honorable Ben Brancel
November 11, 1996
Page 2

November 27, 1996
Page 2

The TANF block grant combines funding and programmatic requirements for the federal AFDC, Emergency Assistance, and JOBS programs into a single capped entitlement to the states. The CCD block grant combines funding previously provided under parts of the AFDC and JOBS programs along with At-Risk Child Care and Child Care Development Block Grant funds and Community Aids child care funds.

The Personal Responsibility and Work Opportunity Reconciliation Act establishes time limits for program eligibility, work requirements and state performance requirements. States are given greater flexibility to design state-specific programs, but are required to submit a series of assurances to the federal Department of Health and Human Services (DHHS) to be eligible to utilize the block grant funds. To provide you with a more detailed description of this Act, I have attached a Summary of Provisions prepared by the Office of the Assistant Secretary for Planning and Evaluation at the Department of Health and Human Services (Attachment 1). Attachment II provides the list of assurances submitted to that agency as a part of Wisconsin's application for use of the block grant funds.

Attachment III is a detailed description of the current program prepared by the Legislative Fiscal Bureau. The W-2 program which will be run under the federal block grant funding will replace current state programs such as individual support, employment and child care programs operated under Chapter 49 of the Wisconsin State Statutes, and federal law as modified by various waivers granted to Wisconsin in recent years. Attachment IV describes the waivers granted from federal law that are currently in effect in Wisconsin.

The Personal Responsibility and Work Opportunity Reconciliation Act requires states to meet a "Maintenance of Effort" requirement (MOE) in order to capture all federal block grant funds available to the state. This provision requires that a state continue to spend an amount equivalent to 75-80% of its 1994 AFDC and related program expenditures *from its own funds* in each federal fiscal year, in order to receive the maximum amount of federal block grant moneys. A state's final percentage of MOE requirement depends on the state's ability to meet prescribed performance standards. As of this writing, I anticipate that Wisconsin's MOE requirement will be 75%. Because we are still awaiting federal definition of what constitutes spending for MOE purposes, I urge the committee to continue to reserve the \$13,000,000 GPR in its appropriation for W-2 implementation costs, the remaining funds for CARES maintenance and the remaining funding for Consolidated Child Care to meet potential MOE requirements.

November 27, 1996
Page 2

The attached plan prepared by the Department of Workforce Development (DWD) does not allocate all of the available federal fiscal year 1997 revenue. The balance of unused federal funding will carry forward for use in succeeding fiscal years. I believe that this is the most prudent strategy to follow, given that a significant part of these carry-over funds will be required in 1997-99 for W-2 implementation. Similarly, although this plan does not make any such transfers in SFY97, the TANF, CCD and Social Services (SSBG) block grants are linked under federal law, which allows transfer of a portion of a state's TANF funds for use for programs run under both the CCD and the SS block grants at the state's discretion. It is likely that such transfers will be necessary in the 1997-99 biennium in order to meet the state's child care and child welfare needs.

Although we are moving forward under new federal provisions, our shared goal of providing current welfare recipients the opportunity to attain self-sufficiency and escape poverty through the W-2 program remains the same. Implementation of this plan will allow the Department of Workforce Development to utilize its SFY97 funding to transition its current clientele toward full involvement in the Wisconsin Works program by September, 1997.

Attachment V provides a detailed block grant expenditure plan for FY97. In general, this plan continues the financial and programmatic commitment and directions contained in 1995 Act 27 for FY97. Income Maintenance benefits, county and state administrative levels remain the same except where modified by Joint Committee action. Emergency assistance levels remain the same.

There are some differences. The plan includes:

- A major commitment of additional funding to eliminate waiting lists for those who qualify for child care subsidies in order to work. This, coupled with an additional \$5 million in funding aimed at efforts to make safe and affordable child care available to all who work, represents a major commitment to child care funding that is consistent with the Legislature's intent as reflected in the W-2 legislation, and my Child Care Initiative announced in August.

In addition, I appointed a Child Care Committee to review and make recommendations regarding the W-2 child care co-payment schedule. The Committee's recommendations will be completed early in December. I intend to direct DWD to implement the new co-payment schedule early next year.

November 27, 1996
Page 2

- Adequate funding to allow counties to engage most current welfare recipients in JOBS program activities by the end of this biennium, in anticipation of commencement of the W-2 program.
- Funding to cover the projected costs of modifications to the CARES computerized case management system to accommodate implementation of W-2.
- Funds to provide a 50% subsidy of the hardware and software needs that the W-2 agencies may have to use a variety of information systems, including CARES, KIDS, JobNet, etc.
- Funds to address administrative complexities associated with the operation of W-2 in our largest county.
- Funds to begin to implement the Partnership for Full Employment (PFE), the local mechanism of consolidated employment and training services for job seekers and employers, through which W-2 and other employment and training programs will be provided.

The PFE was designed in response to recommendations from the Legislative Audit Bureau in a November, 1994 audit which recommended that better cooperation, and especially cooperation at the local level and an expanded Job Center network would help eliminate employment and training program duplication. The Legislature responded by consolidating most employment and training services in the Department of Workforce Development, which has proposed implementation of the PFE in all Job Centers.

- Funds to create a connection between W-2 and state School to Work programs in order to provide job skills directly related to employment, promote satisfactory attendance and performance in school and to emphasize the connection between academic achievement and employment success.
- Funds to establish a worker's compensation risk pool for coverage of JOBS, Food Stamp Employment and Training and future W-2 participants. Establishing a risk pool will allow DWD to lower premiums, which will encourage county participation in the state's program.

November 27, 1996
Page 2

- Funds to pick up the federal share of the \$50 pass-through of AFDC-related child support collections. The PRWORA legislation ended the federal funding for the pass-through payment. The plan provides funding to ensure that the full \$50 payment to AFDC custodial parents is made for this year.
- Funds to expand Children First statewide beginning in January 1997. This highly successful program is currently operating in 32 counties, and is a first line of defense in ensuring financial support for children by noncustodial parents.
- Funds to support a modification to DWD's PR-S general administration cost allocation for cost increases for essential information technology support and accounting system modifications.

The GPR appropriations levels authorized by Act 27 for the purposes covered by these two block grants and as modified by Joint Committee actions are not changed by this plan.

Attachment VI contains a schedule detailing the Chapter 20 appropriations in which the state and federal funds allocated under the plan will be spent and a comparison with existing Ch.20 appropriations.

Finally, the federal PRWORA legislation gives states the authority to reevaluate and continue or end existing waiver or demonstration projects. Furthermore, the W-2 legislation allows DWD to begin to implement parts of W-2 early. Consequently, it is my intent to end the Special Resource Account and Vehicle Asset limit demonstration. Those individuals who have participated in the demonstration will be grandfathered in. In its place, DWD will implement the new asset limit under W-2, which is higher than under the current AFDC rules.

DWD will also end the Benefit Cap demonstration. Instead, the benefit cap policy will be applied to the entire state. While no additional clients will be adversely affected because W-2 will begin before any individual could have their benefits reduced for having another child, it is important to continue to stress to all AFDC participants that having additional children while on assistance (AFDC or W-2) will not be rewarded.

I am also directing DWD to replace the Two-tier demonstration in the four participating counties with the 60-Day residency requirement. Two-tier was designed to measure if there was any in-migration because of Wisconsin's benefit level. Given the replacement of the current benefit-based program with

The Honorable Brian Burke
The Honorable Ben Brancel
November 11, 1996
Page 6

November 27, 1996
Page 2

a work-based program under W-2, continuing Two-tier for the rest of the fiscal year does not make sense. The demonstration results will not provide information that will be useful in implementing W-2 and it requires a significant investment of county workers' time that can be devoted instead to Pay For Performance and the transition to W-2.

In order to smooth their transition from AFDC to the new work requirements under W-2, current parents with children under 1 year of age, but over 12 weeks, will be required to attend parenting and work preparation classes. New applicants for AFDC who have a child under age one will be required to attend parenting and work preparation classes and, when the child is 9 months old, to begin job search. Finally, no new independent living arrangement for unmarried teen parents will be approved.

These steps will allow the counties and DWD to gain experience in implementing parts of W-2 and thereby, smooth the transition to full implementation of W-2.

I believe that this plan represents the best utilization of both state and federal block grant funds available for moving people out of welfare towards self-sufficiency.

Sincerely,



TOMMY G. THOMPSON
Governor

TGT/chh

Attachments

Summary of Provisions

Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (H.R. 3734)

Prepared by the Office of the Assistant Secretary for Planning & Evaluation, D.H.H.S.

Title I: Block Grants for Temporary Assistance for Needy Families

- **Block Granting AFDC and JOBS:** The bill block grants AFDC, Emergency Assistance (EA), and JOBS into a single capped entitlement to states. There is a separate allocation specifically for child care.
- **Individual Entitlement:** No individual guarantee, but the state plan must have "objective criteria for delivery of benefits and determining eligibility" and provide an "explanation of how the state will provide opportunities for recipients who have been adversely affected to be heard in an appeal process." There are no provisions to give the Secretary authority to enforce this requirement.
- **Time Limits:** Families who have been on the rolls for 5 cumulative years (or less at state option) would be ineligible for cash aid. States would be permitted to exempt up to 20% of the caseload from the time limit. Exemptions from the time limit would be allowed for individuals living on Indian reservations with a population of at least 1,000 and an unemployment rate of at least 50 percent. States would not be permitted to use federal block grant funds to provide noncash benefits (e.g., vouchers) to children that reach the five-year time limit. Title XX monies could be used to provide non-cash assistance to families after the federal time limit. State funds that are used to count toward the maintenance of effort requirements may be used to provide assistance to families beyond the federal time limit.
- **Block Grant Funding:** The total cash assistance block grant is estimated to be \$16.4 billion for each year from FY 1996 to FY 2003. Each state would be allotted a fixed amount -- based on expenditures for AFDC benefits and administration, Emergency Assistance, and JOBS -- equal to the greater of: (1) the average of federal payments for these programs in FYs 1992-94; (2) federal payments in FY 1994; or (3) federal payments in FY 1995. States could carry over unused grant funds to subsequent fiscal years.
- **Work Requirements:** As part of their state plan, state must demonstrate that they will require families to work after two years on assistance. However, there are no penalties if a state does not meet this requirement. A state's required work participation rate for all families would be set at 25% in FY 1996, rising to 50% by FY 2002 (states would be penalized for not meeting these rates). The bill provides pro rata reduction in the participation rate for reductions in caseload levels below FY 1995 that are not due to eligibility changes. The rate for two-parent families increases to 90% by FY 1999.

Single-parent recipients would be required to participate at least 30 hours per week by FY 2000. Single parents with a child under age 6 would be deemed to be meeting the work requirements if they work 20 hours per week. Two-parent families must work 35 hours per week. Single parents of children under age 6 who cannot find child care cannot be penalized for failure to meet work requirements. States could exempt from the work requirement single parents with children under age one and disregard these individuals in the calculation of participation rates for up to 12 months. For two-parent families, the second spouse is required to participate 20 hours per week in work activities if they receive federally funded child care (and are not disabled or caring for a disabled child). Individuals who receive assistance for 2 months and are not working or exempt for the work requirements would be required to participate in community service, with the hours and tasks to be determined by the state (states could opt-out of this provision).

- **Waivers:** A state which had waivers granted under Section 1115 (or otherwise relating to the AFDC program) before July 1, 1997 would have the option of continuing to operate its cash assistance program under some or all of these waivers. If a state elected this option with respect to some or all of its waivers, the provisions of the welfare reform legislation which were inconsistent with the continued waivers would not take effect until the expiration of such waivers except that the new child care provisions would apply immediately (*bill language is unclear; this section may be subject to different interpretations*). States which have waivers approved after the date of enactment must also meet the work requirements, even if inconsistent. States operating their programs under waivers would still receive their block grant amounts.

- **Work Activities:** To count toward the work requirement, individuals would be required to participate at least 20 hours per week in unsubsidized or subsidized employment, on-the-job training, work experience, community service, 12 months of vocational training, or providing child care services to individuals who are participating in community service. Up to 6 weeks of job search (no more than 4 consecutive weeks) would count toward the requirement, except that states with unemployment rates at least 50 percent above the national average may count up to 12 weeks of job search. Teens (up to age 19) in secondary school would also count toward work requirement. However, no more than 20 percent of the caseload could count toward the work requirement because they were participating in vocational training or were a teen parent in secondary school. Individuals who had been sanctioned (for not more than 3 of 12 months) would not be included in the denominator of the rate.

- **Supplemental Funds:** The bill establishes a \$2 billion contingency fund. State spending (by eligible states) on cash assistance and work programs above the FY 1994 levels (not including child care) would be matched at the Medicaid rate to draw down contingency fund dollars. States could meet one of two triggers to access the contingency fund: 1) an unemployment rate for a 3-month period that was at least 6.5% and 110% of the rate for the corresponding period in either of the two preceding calendar years.; or 2) a trigger

based on food stamps. Under the second trigger, a state would be eligible for the contingency fund if its food stamp caseload increased by 10% over the FY 1994-1995 level (adjusted for the impact of the bill's immigrant and food stamp provisions on the food stamp caseload). Payments from the fund for any fiscal year would be limited to 20% of the state's base grant for that year. A state could draw down more than 1/12 of its maximum annual contingency fund amount in a given month. A state's federal match rate (for drawing down contingency funds) would be reduced if it received funds for fewer than 12 months in any year. The bill also includes: 1) an \$800 million grant fund for states with exceptionally high population growth, benefits lower than 35% of the national average, or above average growth and below average AFDC benefits (no state match) and; 2) a \$1.7 billion loan fund.

- **Maintenance of Effort:** Each state would be required to maintain 80% of FY 1994 state spending on AFDC and related programs. For states who meet the work participation requirements, the maintenance of effort provision would be reduced to 75%.
- **Transfers:** A state would be permitted to transfer up to 30% of the cash assistance block grant to the child care block grant and/or the Title XX block grant. No more than one-third of transferred amounts could be to Title XX, and all funds transferred must be spent on children and their families whose income is less than 200 percent of the poverty line.
- **Penalties:** The penalties that could be imposed on states would include the following: (1) for failure to meet the work participation rate, a penalty of 5% of the state's block grant in the first year increasing by 2 percentage points per year for each consecutive failure (with a cap of 21%); (2) a 4% reduction for failure to submit required reports; (3) up to a 2% reduction for failure to participate in the Income and Eligibility Verification System; (4) for the misuse of funds, the amount of funds misused (if the Secretary of HHS were able to prove that the misuse was intentional, an additional penalty equal to 5% of the block grant would be imposed); (5) up to a 5% penalty for failure, by the agency administering the cash assistance program, to impose penalties requested by the child support enforcement agency; (6) escalating penalties of 1% to 5% of block grant payments for poor performance with respect to child support enforcement, (7) a 5% penalty for failing to comply with the 5-year limit on assistance; and (8) a 5% penalty for failing to maintain assistance to a parent who cannot obtain child care for a child under age 6. States that are penalized must expend additional state funds to replace federal grant penalty reductions.
- **Personal Responsibility Agreement:** States would be required to make an initial assessment of recipients' skills. At state option, Personal Responsibility Plans could be developed.

- **Teen Parent Provisions:** Unmarried minor parents would be required to live with an adult or in an adult-supervised setting and participate in educational and training activities in order to receive assistance. States would be responsible for locating or assisting in locating adult-supervised setting for teens, but there are no additional funds for "second chance homes."
- **Teen Pregnancy:** The Secretary of HHS to establish and implement a strategy to: (1) prevent non-marital teen; and (2) assure that at least 25% of communities have teen pregnancy prevention programs. The Department will have report to Congress annually in respect to the progress in these areas. No later than January 1, 1997, the Attorney General shall establish and implement a program that provides research, education and training on the prevention and prosecution of statutory rape.
- **Performance Bonus to Reward Work:** The Secretary of HHS, in consultation with NGA and APWA, would be required to develop a formula measuring state performance relative to block grant goals. States would receive a bonus based on their score on the measure(s) in the previous year, but the bonus could not exceed 5% of the family assistance grant. \$200 million per year would be available for performance bonuses (in addition to the block grant), for a total of \$1 billion between FYs 1999 and 2003.
- **Family Cap:** No provision. States implicitly have complete flexibility to set family cap policy.
- **Illegitimacy Ratio:** The bill establishes a bonus for states who demonstrate that the number of out-of wedlock births that occurred in the state in the most recent two-year period decreased compared to the number of such births in the previous period (without an increase in abortions). The top five states would receive a bonus of up to \$20 million each. If less than five states qualify, the grant would be up to \$25 million each. Bonuses are authorized in FYs 1999 - 2002.
- **Persons Convicted of Drug-Related Crimes:** Individuals who after the date of enactment are convicted of drug-related felonies will be prohibited for life from receiving benefits under the temporary assistance for needy families and food stamps programs. Pregnant women and individuals participating satisfactorily in drug treatment programs are exempted. States may opt out of this provision.

Title II: Supplemental Security Income

- **Disability Definition for Children:** Provides a new definition of disability for children. Under this new definition, a child will be considered to be disabled if he or she has a medically determinable physical or mental impairment which results in marked and severe functional limitations, which can be expected to result in death or which has lasted or can be expected to last for at least 12 months. In addition, this bill instructs SSA to remove

references to maladaptive behavior as a medical criteria in its listing of impairments used for evaluating mental disabilities in children. All of these provisions will apply to new claims filed on or after enactment and to all claims that have not been finally adjudicated (including cases pending in the courts) prior to the enactment of the bill. SSA is also required to redetermine the cases of children currently receiving SSI to determine whether they meet the new definition of disability.

- **Redeterminations:** Redeterminations of current recipients must be completed during the year following the enactment of the bill. The earliest that a child currently receiving SSI could lose benefits would be July 1, 1997. If the redetermination is made after that date, then benefits would end the month following the month in which the redetermination is made. SSA is required to notify all children potentially affected by the change in the definition by January 1, 1997.

An additional \$150 million for FY 1997, and \$100 million for FY 1998 is authorized for continuing disability reviews and redeterminations.

- **Benefits:** For privately insured, institutionalized children, cash benefits would be limited to \$30 per month. Requires that large retroactive SSI payments due to child recipients be deposited into dedicated savings accounts, to be used only for certain specified needs appropriate to the child's condition.

Provides that large retroactive benefit amounts would be paid in installments (applies to children and adults).

Title III: Child Support

- **Child Support Enforcement Program:** States must operate a child support enforcement program meeting federal requirements in order to be eligible for the Family Assistance Program. Recipients must assign rights to child support and cooperate with paternity establishment efforts. Distribution rules are changed so that families no longer on assistance have priority in receipt of child support arrears. Current law \$50 pass-through is not required.

- **Establishing Paternity:** Streamlines the process for establishing paternity and expands the in-hospital voluntary paternity establishment program.

- **State Requirements:** The bill requires states to establish central registries of child support orders and centralized collection and disbursement units. Requires states to have expedited procedures for child support enforcement.

Establishes a Federal Case Registry and National Directory of New Hires to track obligors across states lines. Requires that employers report all new hires to state agencies and new hire information to be transmitted to the National Directory of New Hires.

Expands and streamlines procedures for direct withholding of child support from wages.

Provides for uniform rules, procedures, and forms for interstate cases.

Requires states to have numerous new enforcement techniques, including the revocation of drivers and professional licenses for delinquent obligors.

Provides grants to states for access and visitation programs.

Title IV: Restricting Welfare and Public Benefits for Aliens

- **SSI and Food Stamps:** Most legal immigrants (both current and future, and including current recipients) would be banned until citizenship (exemptions for: refugees/asylees, but only for first 5 years in country; veterans; and people with 40 quarters). Cut-off current recipients immediately based on rolling redeterminations within a year after enactment.
- **Medicaid, AFDC, Title XX Social Services, State-funded Assistance:** States would have the option to ban until citizenship most legal immigrants already in the U.S., including current recipients (with same refugee/asylees, et.al. exemptions as above). Current recipients would be eligible to continue receiving benefits until January 1, 1997.
- **Future Immigrants (entering after enactment):** Must be banned for five years from most federal means-tested programs, including Medicaid (exemptions below).
- **New Verification Requirements:** Imposed on all applicants and on virtually all federal, state, and local programs in order to deny all benefits to non-qualified (or illegal) aliens (except: emergency medical; short-term disaster; limited public health for immunizations and communicable diseases; non-profit, in-kind community services such as shelters and soup kitchens; certain housing programs; and school lunches/breakfasts if the child is eligible for a free public education). States would have the option to provide or deny WIC and other child nutrition and commodity benefits. Definition of qualified alien more narrow than current PRUCOL and Administration's proposal. Not later than 18 months after enactment, the Attorney General in consultation with the Secretary of Health and Human Services shall issue regulations requiring verification. States that administer a program that provides a Federal public benefit have 24 months after such regulations are issued to implement a verification system that complies with the regulations.

- **Deeming:** For sponsors/immigrants signing new, legally binding affidavits of support (which are to be promulgated by the Attorney General 90 days after enactment): extend deeming until citizenship; change deeming to count 100 percent of a sponsor's income and resources; and expand the number of programs that are required to deem, including Medicaid (exemptions below). These rules are effective immediately with regard to programs that currently deem, and effective 180 days after enactment for programs that do not currently deem. However, since the new deeming rules apply only to sponsors/immigrants who have signed the new affidavits of support, and new entrants are generally barred from receiving benefits for their first 5 years in the country, these new deeming rules and effective dates will be relatively irrelevant in practice.

- **Exemptions (from 5-year ban on future immigrants and deeming):**

People Exempted: Refugees/asylees, veterans, and Cuban/Haitian entrants receiving refugee/entrant assistance.

Programs Exempted: Emergency medical; short-term disaster; school lunch; WIC/child nutrition; limited public health for immunizations and communicable diseases; payments for foster care; non-profit, in-kind community services such as shelters and soup kitchens; programs of student assistance under Higher Education Act and Public Health Service Act; means-tested elementary and secondary education programs; Head Start; and JTPA.

Title V: Child Protection

- **Provisions:** Block grant provisions have been dropped. Current provisions are: (1) authority for states to make foster care maintenance payments using IV-E funds on behalf of children in for-profit child care institutions; (2) extension of the enhanced federal match for statewide automated child welfare information systems through 1997; (3) appropriation of \$6 million per year in each of FYs 1996 - 2002 for a national random sample study of abused and neglected children; and (4) a requirement that states consider giving preference for kinship placements, provided that the relative meets state standards.

Title VI: Child Care

- **Funding:** The bill authorizes \$13.9 billion in mandatory funding for FYs 1997-2002. States would receive approximately \$1.2 billion of the mandatory funds each year. The remainder would be available for state match (at the Medicaid rate). Requires states to maintain 100% of FY 1994 or FY 1995 child care expenditures (whichever is greater) to draw down the matching mandatory funds. Also authorizes \$7 billion in discretionary funding for FYs 1996-2002.

- **Health and Safety Protections:** Retains current law requirement that all states establish health and safety standards for prevention and control of infectious diseases including immunizations, building and physical premises safety, and minimum health and safety training. Health and safety protections apply to all federally funded child care.
- **Quality:** Provides not less than 4 percent of the total consolidated mandatory and discretionary funds. Appropriate activities under this set-aside include consumer education, enhancement of parental choice, and improvement of the quality and availability of child care (such as resource and referral services).
- **Entitlement to Child Care:** The bill provides no child care guarantee, but single parents with children under 6 who cannot find child care would not be penalized for failure to engage in work activities.

Title VII: Child Nutrition Programs

- **Alien Eligibility:** The bill makes individuals who are eligible for free public education benefits under state or local law also not ineligible for school meal benefits under the National School Lunch Act and the Child Nutrition Act of 1966.
- **Reimbursement Rates:** Effective for the summer of 1997, reduces maximum reimbursement rates for institutions participating in the Summer Food Service Program to \$1.97 for each lunch/supper, \$1.13 for each breakfast, and 46 cents for each snack/supplement. Rates are adjusted each January and rounded to the nearest lower cent.

Restructures reimbursements for family or group day care homes under the Child Care Food Program to better target benefits to homes serving higher proportions of children below poverty and reduces reimbursement rates for tier II homes to 95 cents for lunches/suppers, 27 cents for breakfasts, and 13 cents for supplements.

Rounds down to the nearest cent when indexed the reimbursement rates for full price meals in the school breakfast and school lunch programs and in child care centers, and rates for the special milk and commodity assistance programs.

- **Other Provisions:** Eliminates School Breakfast start-up and expansion grants. Makes Nutrition Education and Training discretionary.

Title VIII: Food Stamps and Commodity Distribution

- **Maximum Benefit Levels:** Reduces maximum benefit levels to the cost of the Thrifty Food Plan and maintains indexing.

- **Income and Deductions:** Retains the cap on the excess shelter deduction and sets it at \$247 through 12/31/96; \$250 from 1/1/97 through 9/30/98; \$275 for FYs 1999 and 2000; and \$300 from FY 2001 on. Freezes the standard deduction at the FY 1995 level of \$134 for the 48 states and DC, and makes similar reductions for other areas. Includes as income for the Food Stamp Program energy assistance provided by state and local government entities. Lowers the age for excluding from income the earnings of elementary and secondary students from age 19 to those who are 17 and under. Requires individuals 21 and under living with a parent to be part of the parent's household.
- **Work Requirements and Penalties:** Establishes a new work requirement under which non-exempt 18-50 year Olds without children would be ineligible to continue to receive food stamps after 3 months in 36 unless they are working or participating in a workfare, work, or employment and training program. Individuals may qualify for three additional months out of 36 if they have worked or participated in a work or workfare program for 30 days and lose that placement. Permits states with waiver requests denied by August 1, 1996 to lower the age at which a child exempts a parent/caretaker from food stamp work rules from 6 years to 1 year old.
- **Program Integrity and Additional Retailer Management Controls:** Doubles recipient penalties for fraud violations to one year for first offense and two years for second offense; permanently disqualifies individuals convicted of trafficking in Food Stamp benefits of \$500 or more; disqualifies for 10 years those convicted of fraudulently receiving multiple benefits; mandates state participation in the Federal Tax Refund Offset Program (FTROP); allows retention of 35% of collections for fraud claims and 20% for other client error claims; and allows allotment reductions for claims arising from state agency errors.

The bill also requires a waiting period for retailers denied approval; permits disqualification of retailers disqualified under WIC; expands criminal forfeiture; permits permanent disqualification of retailers who intentionally submit falsified applications; and improves USDA's ability to monitor authorized stores.

- **Child Support:** Gives states the option to require cooperation with Child Support Enforcement agencies for custodial and non-custodial parents. Permits states to disqualify non-custodial parents with child support orders who are not paying support.
- **Work Supplementation:** Permits private sector employment initiatives that cash-out benefits to certain employed participants.

- **Program Flexibility and Simplification:** Simplifies program administration by expanding states' flexibility in setting customer service requirements. Allows states to submit standard cost allowances to use in calculating self-employment income; eliminates federal standards applying to hours of office operation; deletes detailed federal requirements over application form; deletes detailed federal customer service over areas such as toll-free telephone numbers; extends expedited service processing period to 7 days and extends expedited service only to homeless persons who meet financial criteria; makes use of the income and eligibility verification system (IEVS) and the immigration status verification system (SAVE) optional; permits states to determine their own training needs; and authorizes the Simplified Food Stamp Program, through which states can employ a single set of rules for their state cash assistance programs and the Food Stamp Program. Expands Food Stamp waiver authority to permit projects that reduce, within set parameters, benefits to families. Cash-out of benefits is prohibited under the new waiver authority.
- **Asset Limits:** Sets and freezes the Fair Market Value for the vehicle allowance at \$4650.
- **EBT:** Requires EBT implementation by all states by October 1, 2002, unless waived by USDA. Exempts Food Stamp EBT from the requirements of Regulation E.

Title IX: Miscellaneous

- **Title XX -- Social Services Block Grant:** Annual funding for the Social Services Block Grant would be reduced from \$2.8 billion in FYs 1990-1995 to \$2.38 billion (15% reduction) in FYs 1996-2002, and returning to \$2.8 billion in FY 2003 and each succeeding fiscal year. Non-cash vouchers for children that become ineligible for cash assistance under Title IV-A time limits are authorized as an allowable use of Title XX funds.
- **Abstinence Education:** Starting in FY 1998, \$50 million a year in mandatory funds will be added to the appropriations of the Maternal and Child Health (MCH) Block Grant. The funds would be allocated to states using the same formula used for Title V MCH block grant funds. Funds would enable states to provide abstinence education with the option of targeting the funds to high risk groups (i.e. groups most likely to bear children out-of-wedlock). Education activities are explicitly defined.
- **Drug Testing:** Nothing in federal law shall prohibit states from performing drug tests on AFDC recipients or from sanctioning recipients who test positive for controlled substances.

Implementation

Wisconsin's plan is to collectively use the TANF block grant plan outlined herein which includes the appropriate assurances for compliance with federal law and agreements to follow appropriate statutory regulations and the following documents as policy for phase-in of the TANF block grant: 1) state law, Chapter 49; 2) current approved waivers; 3) Job Opportunities and Basic Skills (JOBS) state plan; 4) JOBS supportive services plan; 5) AFDC state plan; and 6) W-2 program narrative. These documents are attached following the TANF plan. Modifications and changes to the documents listed will be forwarded to you as necessary.

Section 1: General Provision Assurances

The State assures the following:

Wisconsin will conduct a program designed to serve all political subdivisions in the State (not necessarily in uniform manner), and will provide assistance to needy families with (or expecting) children and provide parents with job preparation, work, and support services to enable them to leave the program and become self-sufficient.

The program will require a parent or caretaker receiving assistance to engage in work (as defined by the State) once the State determines the parent or caretaker is ready to engage in work, or once the parent or caretaker has received assistance under the program for 24 months (whether or not consecutive), whichever is earlier.

Parents and caretakers receiving assistance under the program shall be engaged in work activities in accordance with section 407.

Reasonable steps shall be taken to restrict the use and disclosure of information about individuals and families receiving assistance under the program attributable to funds provided by the federal government.

Goals shall be established and action taken to prevent and reduce the incidence of out-of-wedlock pregnancies, with special emphasis on teenage pregnancies, and numerical goals shall be established for reducing the illegitimacy ratio of the State.

Wisconsin will conduct a program, designed to reach State and local law enforcement officials, the education system, and relevant counseling services, that provides education and training on the problem of statutory rape so that teenage pregnancy prevention programs may be expanded in scope to include men.

Section 2: Special Provisions

The State intends to require families moving into Wisconsin from another state to meet a durational residency requirement.

The State intends to provide assistance under the program to individuals who are not citizens of the United States.

The State will set forth objective criteria for the delivery of benefits and the determination of eligibility and for fair and equitable treatment, including opportunities for recipients who have been adversely affected to be heard in a State administrative or appeal process.

Section 3: Certification that the State will Operate a Child Support Enforcement Program

The State certifies that during the fiscal year, the State will operate a child support enforcement program under the State plan approved under part D.

Section 4: Certification that the State will Operate a Foster Care and Adoption Assistance Program

The State certifies that during the fiscal year, the State will operate a foster care and adoption assistance program under the State plan approved under part E, and the State will take such actions as necessary to ensure that children receiving assistance under such part are eligible for Medical Assistance under the State plan under Title XIX.

Section 5: Certification of the Administration of the Program

The State certifies that the Wisconsin Department of Workforce Development is the State agency that will administer and supervise the program for the fiscal year.

The State also assures that local governments and private sector organizations have been consulted regarding the plan and design of welfare services in the State so that services are provided in a manner appropriate to local populations; and have had at least 45 days to submit comments on the plan and design of such services.

Section 6: Certification that the State will Provide Indians with Equitable Access to Assistance

The State will provide each member of an Indian tribe, who is domiciled in the State and is not eligible for assistance under a tribal family assistance plan approved under section 412, with equitable access to assistance under the State program funded under this part attributable to funds provided by the federal government.

Section 7: Certification of Standards and Procedures to Ensure Against Program Fraud and Abuse

The State certifies that the State has established and is enforcing standards and procedures to ensure against program fraud and abuse, including standards and procedures concerning nepotism, conflicts of interest among individuals responsible for the administration and supervision of the State program, kickbacks, and the use of political patronage.

Section 8: Non-discrimination Assurances

The State assures that the following provisions of law will apply to programs and activities funded under TANF:

The Age Discrimination Act of 1975 (42 U. S. C. 6101 et seq.)

Section 504 of the Rehabilitation Act of 1973 (29 U. S. C. 794)

The Americans with Disabilities Act of 1990 (42 U. S. C. 12101 et seq.)

Title VI of the Civil Rights Act of 1964 (42 U. S. C. 2000d et seq.)

05/28/96

Wisconsin's Background in Welfare Reform

Wisconsin's proven track record of innovation and successful outcomes in welfare reform make the state an ideal proving ground for replacing an outdated welfare system that no longer meets the needs of low-income families across the nation. Many states have conducted demonstration projects over the last decade with Wisconsin leading the way.

Over the past nine years, Wisconsin has crafted a variety of programs that have consistently reduced caseloads across the state. From January 1987 through April 1996, the AFDC caseload has decreased 39 percent. In April 1996, the AFDC caseload numbered 59,980, a decrease of 39,332 cases from January 1987. Wisconsin's AFDC caseload has not been this low in 20 years.⁴

In addition, the average continuous length of stay on AFDC in Wisconsin continues to decrease. Between 1993 and 1994, for example the average length of stay decreased from 42 months to 32 months. This is further evidence that welfare reform is contributing to earlier exits from the system.

The W-2 project, which builds on the best practices found in Wisconsin's past demonstrations, replaces the AFDC program and incorporates the Medicaid (MA) and Food Stamp (FS) programs in the most efficient, supportive manner. Because the time has come to replace the entire welfare system, W-2 will be implemented statewide. In constructing this landmark program, Wisconsin will provide a blueprint for other states and the federal government in crafting long-lasting, meaningful welfare reform.

Wisconsin is requesting to pilot the block grant concept as already passed by Congress at the level approved for Wisconsin in the recent National Governor's Association (NGA) proposal. This concept will prove that welfare reform, if designed and implemented correctly, can successfully move large numbers of families to self-sufficiency and yet help address the need to balance the budget and stem the ever increasing cost of entitlement programs.

The following describes past and current welfare reform initiatives and supportive programs in Wisconsin. An explanation of the most effective components and their application in W-2 is included.

Work Not Welfare (WNW) - WNW was the first project of its kind to require work in exchange for time-limited benefits. Innovative measures such as direct payment of child support to recipients are featured. Implemented on January 1, 1995, in two Wisconsin counties, WNW has proven that a mixture of intensive case management, increased employment opportunities combined with a sense of urgency and responsibility results in self-sufficiency for vastly

⁴ Ibid

Learnfare - Wisconsin was the early pioneer in the area of requiring school attendance by teens as a means to end generational welfare dependency. In 1987, Wisconsin was the first state to implement the requirement that teens must attend school regularly or have their families face sanctions in their AFDC checks. As a result, many states have recognized the value of requiring school attendance. Focusing on personal responsibility pertains to teens as well as to parents. **W-2 identifies that while parents must work to support their families, children must attend school in preparation for becoming productive members of society.**

Parental and Family Responsibility (PFR) Project - Implemented on July 1, 1994, the PFR project provides teen parents with incentives to promote family formation, move toward self-sufficiency, and place more responsibility on both parents, including absent parents. The project also encourages teens to delay having additional children while providing the case management tools for the family to achieve self-sufficiency. As of March 1996, there were 860 teen parents in four pilot counties participating. **Under W-2, minor teen parents are required to live at home and are ineligible for cash benefits. They are eligible, however, to receive the services of the Financial and Employment Planner. W-2 sends a straight message to teens that having children is neither a way to get money or live independently. Wisconsin believes that when the incentives are removed, more teens may opt to delay having children until they are adults.**

AFDC Vehicle Asset Limit (VAL) and Special Resource Account (SRA) Projects - These projects allow Wisconsin to raise the AFDC asset limit under two special circumstances. The VAL project increases the vehicle asset limit for participating families to \$2500, enabling recipients to own more reliable transportation with which to drive to work or to child care facilities. The SRA project allows participating families to establish special, restricted-use bank accounts to save and plan for the educational and employment-related needs of their families. **W-2 adopts the strategy of increased asset limits to allow participants more resources in their quest for self-sufficiency.**

Wisconsin Child Care - Under the Thompson administration, child care funding has grown annually from \$12 million to over \$60 million dollars. Currently, over 17,000 children receive child care financial assistance at any point in time. W-2 is expected to triple that number as it provides access and subsidies for all working low income families up to 165 percent of the federal poverty level (FPL), based on sharing costs determined by income levels. Child care providers in Wisconsin continue to increase. State licensed child care providers have increased from 1,900 in 1987 to over 4,700 in 1995. In addition, county certified child care providers have increased from 2,500 in 1987 to over 4,500 in 1995. **Under W-2, Wisconsin will continue to identify adequate, safe child care as a priority in helping families leave welfare. W-2 also streamlines the child care service delivery system by creating a single funding stream to provide assistance to low-income working families statewide, regardless of their previous target group.**

increased numbers of recipients. By April of 1996, fewer than half of the original AFDC caseload were still receiving benefits.⁵ **Under W-2, centralized case management by the Financial and Employment Planner, combined with time limits and an immediate attachment to the workforce can produce similar results.**

Pay for Performance (PFP) - Wisconsin's newest project was implemented on March 1, 1996. PFP focuses on exploring options to AFDC prior to becoming dependent on welfare, mandatory job search as a condition of initial eligibility and participation up to 40 hours per week for mandatory JOBS participants. In April 1996, Wisconsin's AFDC caseload declined by almost 5 percent from March, one of largest monthly decreases since the implementation of welfare reform.⁶ This significant decline in recipients in just one month can be attributed, in large part, to the effects of finding alternatives for significant numbers of applicants while requiring increased participation by recipients under PFP. **W-2 will also stress alternatives to welfare and provide an immediate attachment to the workforce.**

AFDC Benefit Cap - Implemented on January 1, 1996, participants in this project will no longer receive increased benefits when children are born more than 10 months after the first receipt of AFDC. It is reasonable that successful reform should establish grants so that families are always better off by working in unsubsidized jobs. Grants should not be established so families "can't afford" to go to work. Policies must support discouraging growth in family size until parents are financially able to support their children. **W-2 incorporates an entirely new concept that grants should be based on an earnings concept, not a flat grant based on family size.**

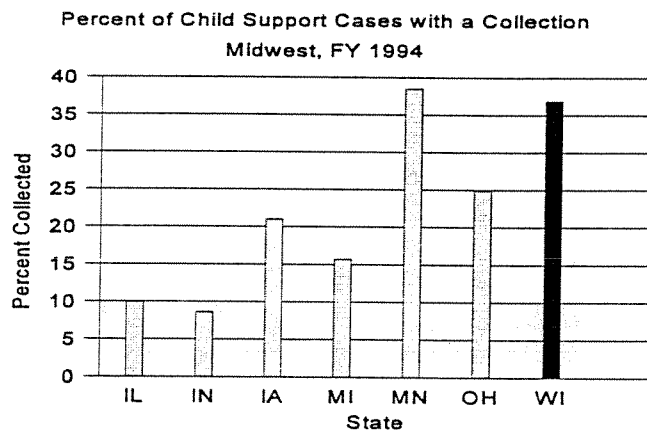
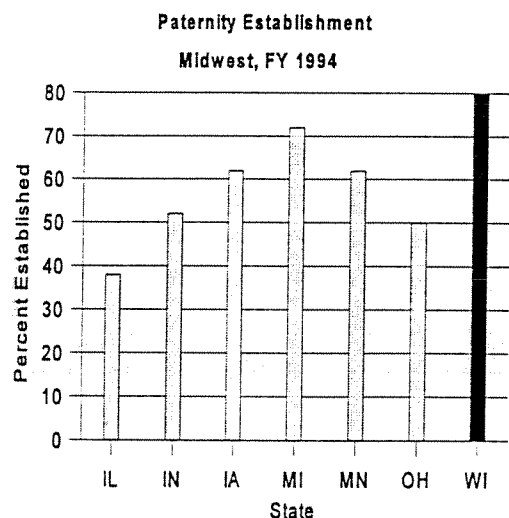
AFDC Two-Tier Project - In effect since July 1, 1994, early evaluation reports have shown that increased welfare benefits, along with other favorable living conditions in Wisconsin, do impact on low-income families' decisions to move. In addition, most people who have applied for AFDC within the first six months of moving to Wisconsin have received public assistance of some type in their home state, immediately prior to the move. In the working world, moving to a different state is a major decision for most families and is generally preceded by planning for employment, housing, etc. **W-2 underscores the importance of planning in advance how families will support themselves before they move. Under W-2, 60 days Wisconsin residency is required prior to becoming eligible for W-2 benefits and services.**

⁵ Ibid

⁶ Ibid

Health Care - Under the Thompson administration, Health Maintenance Organization (HMO) and managed care are already in place for the majority of AFDC recipients. This strategy has reduced costs dramatically while providing for more effective coordinated and preventative health care for families. W-2 builds on Wisconsin's cost efficient and effective MA program.⁸

Child Support - During 1995, Wisconsin retained its role as a national leader in child support enforcement. According to federal data published in 1995, Wisconsin ranked number one in the nation for paternity establishment, with a rate of 80 percent and number two for the percentage of cases with collections, with a rate of 36.9 percent. Almost \$433 million in child support was collected, about \$96 million of which was collected for families receiving Aid to Families with Dependent Children (AFDC), and \$336 million of which was collected for non-AFDC families. The following graph ranks Wisconsin among other Midwestern states:⁷



The Department initiated several projects designed to improve child support communications and strengthen service delivery, to facilitate cooperation with community-based agencies and employers, and to educate the public. Two new publications were released: "Wisconsin Child Support Procedures," an award winning manual with step-by-step instructions for working child support cases, and the "Wisconsin Employers' Guide to Child Support." A "Most Wanted" publicity campaign was initiated to heighten the public's awareness of the legal and moral obligation of a parent to pay support. The Department also helped several counties with high rates of nonmarital births to plan paternity outreach projects designed to strengthen linkages among child support agencies, health care providers and community centers.

Children First - Since 1990, the Children First program has expanded from two to 32 Wisconsin counties. The program encourages and enables non-custodial parents (NCPs) to meet their child

support obligations by providing work experience, other job training services and case management. The court may order NCPs who have no current means of supporting their families into the program. Failure to cooperate can result in incarceration. A recent report⁸ revealed the following results six months after referral to the program:

- Average child support payments increased 102.4 percent.
- Participants making any payment increased from 40.4 percent to 71.3 percent.
- Employment increased from 27.2 to 79.2 percent.

Under W-2, innovative methods to increase child support collection will continue. Any NCP who is unable to pay child support will be eligible to receive the services of the FEP in finding employment.

TEMPORARY ASSISTANCE BLOCK

Attachment V

	<u>SFY 97</u>
<u>Current Program Expenditures Ending in CY 1997</u>	
AFDC Payments (Incl. Burials)	\$222,584,900
IM County Admin	\$15,009,500
JOB Services (Excl. JOBS CC) (Add \$10.3 million for full participation in FFY 97)	\$56,727,800
Workers Comp Pool	\$500,000
County Overmatch (Inc. Fraud/FEV) - Fed Match	<u>\$4,939,900</u>
Subtotal	\$299,762,100
<u>Ongoing Expenditures</u>	
AFDC Emergency Assistance	\$3,300,000
Learnfare Services	\$2,619,000
Local Match Contracts (Learnfare, other) - Fed Match	\$4,500,000
Children First	\$864,300
County Fraud/FEV	\$764,300
State Administration	<u>\$21,494,700</u>
Subtotal	\$33,542,300
<u>W-2 Expenditures</u>	
W-2 Office	\$500,000
NLRR/Kinship Assessments	\$1,851,100
Partnership for Full Employment	\$2,163,300
School to Work	\$122,500
CARES Change Orders/Equipment	<u>\$1,963,500</u>
Subtotal	\$6,600,400
<u>Revenue</u>	
GPR/PR:	
Base	\$146,024,750
CARES Reserve in JFC	\$0
Wisconsin Works Startup	\$0
Total GPR	\$146,024,750
Fed Match/TANF Block	\$303,903,600
<u>TANF Summary</u>	
Total Revenue	\$449,928,350
Total Expenditures (Excl. Local share of overmatch and waiver savings)	(\$339,904,800)
Transfer to Child Care	(\$25,000,000)
Surplus (Deficit)	<u>\$85,023,550</u>

CHILD CARE BLOCK

SFY 97

Current Expenditures Ending Aug. 97

Consolidated Child Care	\$24,294,000
<u>JOBS Child Care</u>	
Base Contracts	
JOBS Participant CC	\$11,034,000
Self-Initiated CC	\$2,220,300
Work Supp CC	\$934,200
June s. 13.10 Request Est.	<u>\$9,218,000</u>
	\$23,406,500
Low Income Child Care	\$41,940,200
Subtotal	\$89,640,700

Ongoing Expenditures

Non-Direct Services from CCDBG:	
Administration - OCC/Licensing	\$1,569,500
Start-Up & Expansion	\$2,556,400
Resource & Referral	\$1,785,000
Quality Improvement	\$1,712,900
Technical Assistance	\$1,030,000
Local Child Care Automation	<u>\$750,000</u>
Subtotal	\$9,403,800

W-2 Child Care **\$0**

Revenue

GPR:	
JOBS Child Care	\$7,093,700
Consolidated	\$5,687,400
SFY 97 Community Aids/At-Risk	\$5,163,300
State Child Care Program Operations	\$75,000
CY 1994 Comm. Aids Carryover	\$2,662,400
AFDC Reimb of Comm. Aids Expend.	\$2,090,100
Child Care Reserve in JFC	<u>\$0</u>
Total GPR/PR	\$22,771,900
FED Match/CCDBG Block	\$51,272,600

Child Care Summary

Total Revenue	\$74,044,500
TANF Funding	\$25,000,000
Total Expenditures	<u>(\$99,044,500)</u>
Surplus (Deficit)	\$0

DWD TANF & CCD BLOCK GRANT PLANS					
Chapter 20 Impact					
GPR:					
Alpha	Numeric	Title	SFY 97 Base	SFY 97 After Block Grant	
a	301	General Program Operations	\$27,128,000	\$27,128,000	
br	306	Public Assistance Reform Studies	\$525,300	\$525,300	
cn	319	Child Care for Recipients and Former Recipients of AFDC	\$5,687,400	\$5,687,400	
cp	312	At-Risk and Low-Income Child Care	\$5,163,300	\$5,163,300	
d	308	IM Payment to Individuals	\$108,673,500	\$108,673,500	
dc	375	Emergency Assistance Program	\$1,659,700	\$1,659,700	
de	307	IM County Administration	\$28,864,400	\$28,864,400	
df	374	Children First Program	\$206,200	\$206,200	
df	377	Employment & Training Programs	\$27,367,800	\$27,367,800	
dg	313	Services for Learnfare Pupils	\$1,309,500	\$1,309,500	
dy	314	Kinship and Foster Care Assessments	\$1,200,000	\$1,200,000	
dz	315	Wisconsin Works Administration and Benefits	\$0	\$0	
e	303	Job Access Loans	\$0	\$0	
em	317	Employment Skills Advancement Program	\$0	\$0	
jg	325	State Child Care Program Operations	\$75,000	\$75,000	
L	338	Welfare Fraud & Error Reductions; State Operations	\$928,700	\$928,700	
Lm	328	Welfare Fraud & Error Reductions; Local Assistance	\$1,469,800	\$1,469,800	
GPR TOTALS			\$210,258,600	\$210,258,600	
PRF:					
Alpha	Numeric	Title	SFY Total		
mc	345	Federal Block Grant Operations	\$1,224,500	\$2,138,600	
mc	390	Temporary Assistance for Needy Families Operations	\$0	\$29,574,700	
md	347	Federal Block Grant Aids	\$19,141,800	\$41,781,200	
md	391	Temporary Assistance for Needy Families Aids	\$0	\$243,282,700	
my	353	Federal Program Local Assistance	\$1,700,000	\$1,700,000	
n	344	Income Maintenance Administration - State	\$21,618,400	\$26,132,800	
na	343	Federal Program Aids	\$18,093,100	\$6,251,900	
na	354	Waiver Savings Projects	\$7,640,200	\$7,640,200	
nL	355	Income Maintenance - County Administration	\$50,951,500	\$26,218,200	
nL	356	Waiver Savings Projects	\$986,500	\$986,500	
p	352	Federal Aid; Income Maintenance Payments	\$157,461,100	\$22,432,800	
pm	359	Employment Programs; Administration	\$4,315,500	\$614,800	
ps	358	Employment Programs; Aids	\$28,786,900	\$4,101,100	
PRF TOTALS			\$311,919,500	\$412,855,500	
GRAND TOTALS			\$522,178,100	\$623,114,100	



WISCONSIN LEGISLATURE

P.O. Box 7882 • Madison, WI 53707-7882

PRESS RELEASE

From the offices of
State Representative Rebecca Young
and State Senator Gwendolynne Moore
State Capitol
Madison, WI 53708

December 16, 1996

TRANSFER OF WELFARE FUNDING CRITICIZED

State Senator Gwendolynne Moore (D. Milwaukee) and State Representative Rebecca Young (D. Madison) called on the Joint Finance Committee to hold an \$85 million carryover in federal welfare reform dollars to fix W-2, Wisconsin's Welfare Reform initiative when it goes fully into effect in the next biennium.

"Throughout the debate on the Wisconsin Works welfare reform legislation, Governor Thompson argued that making welfare reform work in the short run would require greater expenditures than under the old welfare system", Representative Young stated. "But Friday when his plans for federal welfare reform funds were revealed, it became evident that he plans to renege on his commitment by diverting federal welfare funds to fill a hole in the next state budget", Young said.

Senator Moore stated, "The Governor is playing a shell game with the federal welfare reform funding, transferring it into another block grant in order to offset the funding the state committed to spend for the foster care system in Milwaukee." Moore added, "This laundering of Wisconsin's share of the federal welfare reform appropriation shortchanges the Wisconsin Works program before we have had a chance to plug the many gaps in W-2".

"Last spring newspapers like the Wall Street Journal applauded W-2 because the Governor was willing to face the fact that providing child care, transportation and jobs to people who have been on welfare is more expensive than paying them to stay home with their children", Young said. "Yet now the Governor is undercutting the funding that will be needed to pay for the services that W-2's proponents promised would be available to working poor families."

The two lawmakers offered several examples of aspects of the Wisconsin Works program that they believe will require additional funding in order to make the program work, including child care, adjusting work benefit levels on the basis of the minimum wage, and restoring food stamps to large refugee families.

"The W-2 program was premised on setting benefit levels so that people who perform the required work activities would receive as much as someone in a minimum wage job", Senator Moore stated. "Now that the minimum wage has been increased, we need to use \$25 million from the federal funding to keep the Legislature's promise of making community service jobs and transitional placements pay as much as a regular minimum wage job", Moore said.

Representative Young stated that the W-2 child care changes announced last week by Governor Thompson were a "significant step in recognizing some of W-2's deficiencies, but still leave very substantial problems in the W-2 child care system". Among the child care gaps, according to Young, is the denial of child care assistance for working foster parents, many low-income high school students, and vocational students.

Senator Moore referred to the child care eligibility changes as "drop-fare", explaining that many teen parents who now get child care assistance will lose it under W-2 and will have to drop out of high school.

"Another critical W-2 repair that will require a portion of the federal funds" Senator Moore said "is making refugee families, who often have large numbers of children, eligible for food stamps". Moore continued, "Food stamp eligibility is something that the W-2 advocates promised to these refugee families; but now, because of changes in federal law, the state will need to earmark a portion of our welfare funds to restore their food stamp benefits."

Representative Young noted that diverting the welfare reform dollars into other parts of the state budget would increase the amount of the costs that the new welfare initiatives shift onto county property taxpayers. "Dane County is already spending \$90,000 per year from local property taxes to pay the child care costs of low-income teenage parents who need child care to attend high school, and this is just one of the problems that will grow dramatically when W-2 is fully implemented", Young said.

Senator Moore concluded by noting that, "Shifting the federal funding out of the Wisconsin Works program is shortsighted, because failing to fund it adequately will only worsen the problems in the Milwaukee County foster care system."



Legislative Fiscal Bureau

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December 16, 1996

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Revenue--Approval of Temporary Recycling Surcharge Rate Under Section 77.945
of the Statutes--Agenda Item X

The Secretary of the Department of Revenue has submitted a letter to the Committee with the Department's recommendation that the current temporary recycling surcharge rate remain unchanged in 1996-97.

BACKGROUND

The recycling surcharge is designed to apply to most businesses to generate revenues that are sufficient to fund appropriations from the state recycling fund. Under current law, a temporary surcharge of 5.5% of gross tax liability is imposed on corporations. There is a minimum payment of \$25 and a maximum payment of \$9,800. Corporations (including S corporations) and insurance companies with less than \$4,000 in total receipts are excluded from the recycling surcharge.

Nonfarm sole proprietorships, partnerships and S corporations are subject to a temporary surcharge of 0.4345% of net business income, again with a \$25 minimum payment and a \$9,800 maximum payment. Sole proprietorships and partnerships with less than \$4,000 of gross receipts are exempt from the surcharge. Members of the clergy and noncorporate farms with less than \$1,000 of net farm profits are also exempt from the surcharge. Noncorporate farms that are subject to the surcharge pay a flat amount of \$25.

The rate of 0.4345% applied to the net business income of sole proprietors, partnerships and S corporations is equivalent to the 5.5% rate applied to the gross tax liability of corporations.

For corporations, gross tax liability is determined by applying the corporate tax rate of 7.9%, which equals a tax rate of 0.4345% when multiplied by the surcharge rate of 5.5%.

Each year the Department of Revenue, with the approval of the Joint Committee on Finance, is required to estimate the amount of revenue necessary to fund all appropriations from the state recycling fund in the following year and to adjust the recycling surcharge rate accordingly. The current 5.5% surcharge rate (0.4345% for sole proprietorships, partnerships and S corporations) applies to tax years beginning on or after January 1, 1996. For tax years ending after April 1, 1999, the temporary recycling surcharge is eliminated.

Under current law, the Department of Revenue is required to submit the proposed temporary recycling surcharge rate to the Joint Committee on Finance for the quarterly s. 13.10 meeting in December. If the Committee approves the rate, it first applies to tax years beginning on or after the January 1, after the Department notifies the Committee; if the Committee disapproves of the proposed rate, the current rate remains in effect. As a result, since the Department has recommended that the current rate remain unchanged, the current rate will continue in effect whether the Committee approves or disapproves the Department's recommendation.

Total recycling surcharge collections were \$40.6 million in 1994-95 and \$41.6 million in 1995-96. The current recycling rate will generate an estimated \$42.5 million in 1996-97, \$42.6 million in 1997-98 and \$43.9 million in 1998-99.

Expenditures from the recycling fund (net of lapses) totalled \$38.3 million in 1994-95 and \$65.8 million in 1995-96. The 1995-96 expenditure amount includes a one-time transfer of \$21.1 million to the general fund. The 1996-97 beginning cash balance in the recycling fund was approximately \$33.6 million. Under current law, expenditures are estimated to be \$67.4 million in 1996-97 (including net appropriations of \$42.6 million and expenditure of \$24.8 million in carry-in encumbrances), \$36.9 million in 1997-98 and \$29.7 million in 1998-99.

ANALYSIS

Under the Department's recommendation that the current surcharge rate remain unchanged for the 1997 tax year, there should be sufficient revenues to support proposed 1996-97 and 1997-98 fund appropriation amounts. Although the estimated surcharge revenues for 1996-97 (\$42.5 million) are less than net expenditures (\$67.4 million), the recycling fund cash balance (\$33.6 million at the beginning of 1996-97) should be sufficient to cover the estimated difference between expenditures and revenues. Beginning in 1997-98, annual estimated revenues (\$42.6 million in 1997-98 and \$43.9 million in 1998-99) exceed net projected appropriations (\$36.9 million in 1997-98 and \$29.7 million in 1998-99).

The Department has recommended continuation of the current recycling surcharge to ensure that there will be sufficient revenues to support 1996-97 appropriations and to maintain a balance

that can offset fluctuations in revenues and expenditures in future years. The Department indicates concern that, because projected net expenditures will exceed estimated revenues in 1996-97, the recycling fund balance will be significantly reduced. As a result, the Department believes that recommending a downward rate adjustment at present would be inappropriate. Any rate adjustment would be better made in the next few years as the closing fund balances are more certain.

Although it is speculative to project revenues and expenditures into the future, using current estimates of appropriations, lapses, interest and revenues, it appears the year-end unencumbered balance in the state recycling fund will be \$10.9 million in 1996-97 and grow to \$34.5 million in 1998-99 as shown below.

Recycling Fund Condition Statement
(In \$ Millions)

	1996-97	1997-98	1998-99
Revenues			
Opening Balance	\$33.6	\$10.9	\$18.4
Recycling Surcharge	42.5	42.6	43.9
Interest and Other	<u>2.2</u>	<u>1.8</u>	<u>1.9</u>
Total Available	\$78.3	\$55.3	\$64.2
Expenditures and Reserves			
Expenditure of Prior Year	<u>42.6</u>	<u>36.9</u>	<u>29.7</u>
Encumbrances			
Total Expenditures	\$67.4	\$36.9	\$29.7
Closing Balance	\$10.9	\$18.4	\$34.5

In part, the fund balances reflect the scheduled decrease in the amount appropriated for local recycling grants from \$29.2 million in 1996-97 to \$24.0 million in 1998-99 and then to \$17.0 million in 1998-99. Also, as noted above, \$21.1 million was transferred from the recycling fund to the general fund in 1995-96. If this transfer had not occurred the projected annual year-end balances in the recycling fund would be substantially higher under the current surcharge rate. The temporary recycling surcharge is sunsetted in 1999. Consequently, it appears that the current surcharge rate would generate annual revenue that would be greater than the amount needed to fund estimated annual appropriations from the recycling fund for each year until the surcharge is repealed in 1999.

Because the year-end balance in the recycling fund is projected to remain substantial until the surcharge is eliminated, an alternative the Committee may wish to consider would be to

disapprove continuation of the current surcharge rate. Instead, the Committee could request that the Department develop a proposal for a reduced surcharge rate that would draw down available balances in the recycling fund. For example, if the temporary recycling surcharge rate was reduced to 4.0% for corporations and 0.3160% for sole proprietorships and partnerships, it is estimated that revenues would be reduced by approximately \$9 million on an annualized basis. This would begin to draw down the balance in the fund, while leaving monies available that would allow for unanticipated fluctuations in future revenues and expenditures.

It should be noted that, at its December, 1994, s. 13.10 meeting, the Committee disapproved the Department's request that the current recycling surcharge rate be continued and directed the Department to develop a proposal for a reduced rate. However, because the Governor recommended transferring the balance in the recycling fund to the general fund in his biennial budget bill, the Department did not develop a reduced rate proposal.

ALTERNATIVES

1. Approve the Department's request to continue to apply the current temporary recycling surcharge rate (5.5% or 0.4345%) for tax years beginning on or after January 1, 1997.

~~2.~~ Disapprove the Department's request to continue the current temporary recycling surcharge rate and, instead, request that the Department develop a proposal for a reduced rate that would make use of available balances in the recycling fund and present the proposal to the Committee at its next meeting under s. 13.10.

Prepared by: Ron Shanc

MO# Alt. 2

BURKE	(Y)	N	A
ANDREA	Y	N	(A)
GEORGE	Y	N	(A)
DECKER	(Y)	(X)	(A)
JAUCH	(Y)	N	A
WINEKE	(Y)	N	A
WEEDEN	(Y)	N	A
COWLES	(Y)	N	A
BRANCEL	(Y)	N	A
FOTI	(Y)	N	A
SCHNEIDERS	(Y)	N	A
OURADA	(Y)	N	A
HARSDORF	(Y)	N	A
PORTER	(Y)	N	A
LINTON	Y	N	(A)
COGGS	(Y)	N	A

AYE 13 NO 0 ABS 3

MO# Alt. 1

2 BURKE	(Y)	N	A
ANDREA	Y	N	(A)
GEORGE	Y	N	(A)
DECKER	(Y)	N	A
JAUCH	Y	(N)	A
WINEKE	Y	(N)	A
WEEDEN	Y	(N)	A
COWLES	Y	(N)	A
1 BRANCEL	(Y)	N	A
FOTI	Y	(N)	A
SCHNEIDERS	Y	(N)	A
OURADA	Y	(N)	A
HARSDORF	Y	(N)	A
PORTER	Y	N	(A)
LINTON	Y	N	(A)
COGGS	Y	(N)	A

AYE 3 NO 9 ABS 4



Legislative Fiscal Bureau

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Staff Recommendation:
#2; also need to
make political point
on folly of \$21 mil
transfer to GPR
last year. Excess
\$ should have

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Revenue--Approval of Temporary Recycling Surcharge Rate Under Section 77.945
of the Statutes--Agenda Item X

The Secretary of the Department of Revenue has submitted the Department's recommendation that the current temporary recycling surcharge rate be unchanged in 1996-97.

BACKGROUND

The recycling surcharge is designed to apply to those businesses whose revenues are sufficient to fund appropriations from the state. The temporary surcharge of 5.5% of gross tax liability is a minimum payment of \$25 and a maximum payment (\$250 for sole proprietorships and partnerships, \$500 for corporations) and insurance companies with less than \$1,000 of net farm profits are also exempt from the surcharge. Noncorporate farms that are subject to the surcharge pay a flat amount of \$25.

Nonfarm sole proprietorships, partnerships and S corporations are subject to a temporary surcharge of 0.4345% of net business income, again with a \$25 minimum payment and a \$9,800 maximum payment. Sole proprietorships and partnerships with less than \$4,000 of gross receipts are exempt from the surcharge. Members of the clergy and noncorporate farms with less than \$1,000 of net farm profits are also exempt from the surcharge. Noncorporate farms that are subject to the surcharge pay a flat amount of \$25.

The rate of 0.4345% applied to the net business income of sole proprietors, partnerships and S corporations is equivalent to the 5.5% rate applied to the gross tax liability of corporations.

been used for
additional recycling
program funding
or rates should
have been reduced.
Politically correct to
reduce rate at this
time.

For corporations, gross tax liability is determined by applying the corporate tax rate of 7.9%, which equals a tax rate of 0.4345% when multiplied by the surcharge rate of 5.5%.

Each year the Department of Revenue, with the approval of the Joint Committee on Finance, is required to estimate the amount of revenue necessary to fund all appropriations from the state recycling fund in the following year and to adjust the recycling surcharge rate accordingly. The current 5.5% surcharge rate (0.4345% for sole proprietorships, partnerships and S corporations) applies to tax years beginning on or after January 1, 1996. For tax years ending after April 1, 1999, the temporary recycling surcharge is eliminated.

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ALTERNATIVES

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Prepared by: Ron Shanovich and Kendra Bonderud